

## Message Text

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ACTION STR-07

INFO OCT-01 IO-13 ISO-00 STRE-00 AF-10 ARA-10 EA-10  
EUR-12 NEA-10 OIC-02 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05  
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01  
DOE-15 /168 W

-----090924 281549Z /41

P 281459Z APR 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC PRIORITY 8997

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ACTION STR PASS ELECTRICALLY  
STR PASS CODEL

USMTN

E.O. 11652 N/A  
TAGS: MTN, ETRD,  
SUBJECT: SERVICES IN THE MTN

REF: STATE 104973

1. SUMMARY: ALTHOUGH MTN PRIMARILY GEARED TO INTERNATIONAL  
TRADE IN MERCHANDISE, THE U.S. HAS MADE SOME SPECIFIC NTM  
REQUESTS ON PARTICULAR SERVICE PRACTICES, AND MOST OF THE  
CODES HAVE SOME INCIDENTAL COVERAGE OF SERVICES. AT THIS  
LATE DATE IT WOULD BE NEARLY IMPOSSIBLE TO OBTAIN COVERAGE  
OF INSURANCE OR ANY OTHER SERVICE IN GOVERNMENT PROCUREMENT  
CODE.

2. GOVERNMENT PROCUREMENT. THE GOVERNMENT PROCUREMENT CODE  
APPLIES TO SERVICES INCIDENTAL TO THE SUPPLY OF PRODUCTS IF  
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THE VALUE OF THESE INCIDENTAL SERVICES DOES NOT EXCEED THAT  
OF THE PRODUCTS THEMSELVES. THE DRAFT GP CODE DOES NOT  
COVER CONTRACT SERVICES PER SE. INFORMAL QUERY TO EC, JAPAN  
AND CANADA REGARDING INCLUSION OF INSURANCE IN THE CODE  
BROUGHT NEGATIVE RESPONSE. USMTN DELEGATION VIEW IS THAT  
INCLUSION OF INSURANCE OR ANY SERVICES WOULD REQUIRE MORE  
TECHNICAL WORK THAN POSSIBLE WITHIN CURRENT TIMEFRAME. IN

ADDITION, ALTHOUGH ENTITY COVERAGE STILL AN OPEN ISSUE, SINCE U.S. GOVERNMENT DOES NOT HAVE ANY INSURANCE PRACTICES THAT COULD BE COVERED BY THE CODE WE WOULD NOT HAVE ANY LEVERAGE TO INDUCE OTHER COUNTRIES TO ADD INSURANCE SERVICES.

3. STANDARDS. THE PRINCIPAL OBLIGATIONS OF THE DRAFT STANDARDS CODE ARE DELIBERATELY DRAFTED TO APPLY ONLY TO PRODUCT STANDARDS. A SIGNIFICANT PORTION OF THE CODE'S OTHER OBLIGATIONS (I.E., TRANSPARENCY AND NATIONAL TREATMENT), HOWEVER, APPLY TO CERTIFICATION SYSTEMS WHETHER OPERATED BY GOVERNMENT (E.G., COAST GUARD OR USDA) OR PRIVATE ORGANIZATIONS (E.G., UNDERWRITERS LABORATORY). SUCH CERTIFICATION SYSTEMS ARE CLEARLY A SERVICE INDUSTRY.

4. SUBSIDIES. THE CURRENT EXERCISE ON SUBSIDIES/CVD IS BASED UPON GATT RULES WHICH ARE PHRASED PRIMARILY IN TERMS OF PRODUCTS. WHILE CVD PROVISIONS IN GATT ARTICLE VI PRINCIPALLY APPLY TO MERCHANDISE, THERE IS SPECIFIC PROVISION FOR CVD'S WITH RESPECT TO TRANSPORTATION SUBSIDIES GIVEN TO THESE PRODUCTS. ON THE SUBSIDY SIDE, GATT ARTICLE XVI ON EXPORT SUBSIDIES CLEARLY APPLIES TO PRODUCTS WHILE THE PROVISIONS ON INTERNAL SUBSIDIES ARE LESS CLEAR. THE OPERATING ASSUMPTION HAS BEEN THAT THESE PROVISIONS RELATE TO PRODUCTS UNLESS THERE IS A SPECIFIC REFERENCE COVERING ANOTHER AREA. FOR EXAMPLE IN THE ILLUSTRATIVE LIMITED OFFICIAL USE

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LIST OF EXPORT SUBSIDIES THAT IS BEING DISCUSSED, THERE IS SPECIFIC PROVISIONS WITH RESPECT TO INTERNAL TRANSPORT AND FREIGHT SUBSIDIES ON EXPORT SHIPMENTS. ALSO EXPORT CREDITS (CLEARLY "SERVICE") ARE IN 1960 ILLUSTRATIVE LIST AND WE HOPE TO EXPAND THE DESCRIPTION IN THIS AREA IN NEW CODE (BY INCORPORATING OECD UNDERSTANDING.) TRANSPORTATION SUBSIDIES ARE ALSO ON 1960 ILLUSTRATIVE LIST. FURTHERMORE, THE UNITED STATES HAS PROPOSED A PROVISION ON INTERNAL SUBSIDIES TO COVER PROVISION OF "INFRASTRUCTURE SERVICES BELOW PRICE LEVELS NORMALLY PROVIDED FOR COMMERCIAL UNDERTAKINGS". FINALLY, GOVERNMENT LOANS AND GRANTS WOULD ALSO BE COVERED BY A SUBSIDY AGREEMENT.

5. CUSTOMS VALUATION. THE PRESENT EC DRAFT APPLIES ONLY TO THE VALUATION OF GOODS FOR THE PURPOSES OF LEVYING CUSTOMS DUTIES.

6. BILATERAL REQUESTS AND OFFERS. U.S. REQUESTS REGARDING SPECIFIC SERVICE PRACTICES FOLLOW. (REF. MTN/NTM/IL/3; MTN/NTM/IL/3/ADD.1; MTN/NTM/R/10; MTN/NTM/R/10/ADD. 1)

- A. INSURANCE.

- ARGENTINA: ELIMINATE REQUIREMENT TO PLACE
- INSURANCE WITH ARGENTINE FIRMS.
- COLOMBIA: ELIMINATE REQUIREMENT THAT 60 PER-
- CENT OF REINSURANCE BE PLACED LOCALLY.
- NIGERIA: ELIMINATE REQUIREMENT INSURANCE BE
- PLACED WITH NIGERIAN REGISTERED
- INSURER.
- VENEZUELA: ELIMINATE REQUIREMENT THAT 40 PER-
- CENT OF REINSURANCE BE PLACED WITH
- LOCAL FIRMS.
- POLAND: ELIMINATE REGULATION REQUIRING PO-
- LISH FOREIGN TRADE ORGANIZATIONS
- TO USE WARTA INSURANCE AND RE-
- INSURANCE COMPANY FOR EXPORTS.

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- B. RADIO AND TV COMMERCIALS.

- ARGENTINA, COSTA RICA, AUSTRALIA AND CANADA
- WERE REQUESTED TO ELIMINATE VARIOUS PRACTICES
- INHIBITING IMPORTATION OF RADIO AND TV COM-
- MERCIALS. DISCUSSION WITH CANADA (SEE GENEVA
- 5104) INDICATED CANADA NOT PREPARED TO ADDRESS
- THIS ISSUE IN THE MTN.

- C. MOTION PICTURES.

- REQUESTS CONCERNING LOCAL COPYING REQUIREMENTS
- WERE MADE OF ARGENTINA, BRAZIL, MEXICO AND
- VENEZUELA. REQUESTS REGARDING SCREENTIME QUOTAS
- WERE SUBMITTED TO AUSTRALIA, CANADA, U.K.,
- AND SWITZERLAND. ITALY WAS REQUESTED TO ELIMI-
- NATE THE DISCRIMINATORY EFFECTS OF ITS AD-
- MISSIONS TAXES IN MOVIE THEATERS.

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- D. OTHER

- THE U.S. HAS MADE REQUESTS COVERING TAXATION
- OF FOREIGN CONSULTING SERVICES (COLOMBIA),
- ADVERTISING RESTRICTIONS (CANADA), INVESTMENT
- RESTRICTIONS ON COMPUTER INDUSTRY (FRANCE) AND
- RESTRICTIONS ON ESTABLISHMENT OF FOREIGN
- OFFICES, INCLUDING BANK OFFICES (YUGOSLAVIA).
- IN ADDITION, THE CANADIAN TARIFF OFFER INCLUDES
- A REDUCTION OF THEIR DUTY ON BLUEPRINTS, TECHNICAL
- DRAWINGS ETC. FOR BUILDINGS OR MAJOR STRUCTURES
- FROM 17.5 PERCENT TO 10.2 PERCENT. THIS
- DUTY HAS BEEN CITED AS A BARRIER TO THE PUR-
- CHASE OF U.S. ENGINEERING OR ARCHITECTURAL
- SERVICES. THE CANADIANS HAVE NO DUTY ON BLUE-
- PRINTS, ETC. FOR THE MANUFACTURE OR INSTALLATION
- OF MACHINERY, PLANT EQUIPMENT, ETC.

7. STATUS OF SPECIFIC REQUESTS. THE ABOVE REQUESTS HAVE BEEN DISCUSSED IN BILATERAL MEETINGS WITH COUNTRIES CONCERNED. NO FIRM OFFERS REGARDING OUR REQUESTS HAVE BEEN RECEIVED ALTHOUGH WE WILL CONTINUE TO PRESS IN FUTURE BILATERALS.

8. THE ISSUE OF SERVICES IN THE MTN HAS BEEN RAISED SEVERAL TIMES DURING COURSE OF THE NEGOTIATIONS. 1976 COMMERCE DEPARTMENT STUDY CONCLUDED THAT ALTHOUGH SERVICE INDUSTRY PROBLEMS IN INTERNATIONAL MARKETS HAD NOT RECEIVED ADEQUATE GOVERNMENTAL ATTENTION, MOST PROBLEMS WERE ASSOCIATED WITH INVESTMENT RATHER THAN TRADE AND THE MTN WAS NOT THE PROPER FORUM FOR ADDRESSING THE BULK OF THESE CONCERNS. AUGUST 1977 CIRCULAR CABLE TO VARIOUS POSTS CONFIRMED THIS POSITION STATING "U.S. SERVICE INDUSTRY

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NOTIFICATION IN THE MTN WILL INCLUDE ONLY SIGNIFICANT RESTRICTIONS WHICH ARE ANALAGOUS TO NONTARIFF MEASURES AFFECTING TRADE IN GOODS." CABLE ASKED POSTS TO VERIFY CERTAIN PRACTICES. U.S. REQUESTS OUTLINED ABOVE WERE EVIDENTLY DERIVED FROM RESPONSES. TO DATE, MTN DEL HAS NOT RECEIVED ANY INSTRUCTIONS TO INCORPORATE SERVICES INTO MTN OTHER THAN IN SPECIFIC REQUESTS. WHILE WE CAN INQUIRE AS TO RECEPTIVITY WITH OTHER DELEGATIONS, POLICY DECISION MUST BE MADE IN WASHINGTON. ADDITIONAL SPECIFIC REQUESTS MAY OF COURSE BE MADE BUT LIMITED MTN TIMEFRAME SERIOUSLY REDUCES CHANCES OF FAVORABLE RESPONSES TO NEW REQUESTS.

9. DRAFTED BY WHITE. CULBERT

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GOVERNMENT PROCUREMENT, INSURANCE, STANDARDS, AGREEMENT DRAFT, SUPPLY SERVICES, FOREIGN TRADE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 28 apr 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Office:** ACTION STR  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**TAGS:** ETRD, MTN  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
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